

Finance

Mission Statement

The Finance Department provides leadership to the City of Minneapolis by protecting, planning and managing the use of its financial resources.

Primary Businesses:

Management and Budget: Makes enterprise-level decisions; provides financial advice to the Mayor, City Council, departments and agencies; and represents the City to key external customers and partners on financial matters. Provides objective professional support on major strategic and financial initiatives that inform decision-making, including budget development, business planning, performance measurement, and project management.

Accounting: Serves key stakeholders (city government, citizens, taxpayers, employees) by processing transactions; administering the financial database; developing department budgets and financial plans; analyzing and interpreting financial information; preparing financial reports used by managers, elected leadership, and the general public; and creating financial management solutions.

Procurement: Provides procurement of required equipment, supplies and services for the City and related boards including Contract Management.

Risk Management: Creates and promotes a safe and supportive work environment, preserves city assets, administers the City's self-insurance programs (workers compensation and tort liabilities under \$25,000), and reduces financial exposure.

Treasury: Ensures proper, accurate and timely service activities for invoicing, collecting, receipting, depositing, forecasting and investing and disbursing all money in the City treasury. Ensures that strong relationship management and customer services are at the forefront of each service activity.

Key Trends and Challenges Impacting the Department:

1. Since 2001 the department's resources have been significantly reduced due to LGA reductions and other reasons. Our resources for financial analysis to support budgeting, business planning, and routine management decisions has been particularly reduced in order to preserve basic financial integrity and controls. The department is challenged to rebuild our analytical capacity by simplifying processes and procedures.
2. The City's successful implementation of GASB 34, the wide-ranging reform of accounting standards for state and local governments, must now be integrated into the City's financial processes and reporting practices. The City's financial management has become a high priority for the Mayor and City Council. The finance department has responded to this focus with a realignment of resources to support the City's elected leadership in financial planning and decision-making.
3. Department efficiency, productivity and cohesiveness is challenged by a lack of physical proximity. Consolidation of personnel to less than 10 locations by the end of 2003 will be an important step, but only an intermediate one.
4. The creation of CPED will require the department to transition employees, create an organization to support CPED's operations and management, and meld financial and related business processes.

Key Initiatives or Other Models for Providing Service to be implemented:

1. Increase the consistency of elected officials' tax-related decisions with a comprehensive municipal tax policy.
2. Increase the percentage of City general fund resources coming from other sources than property taxes.
3. Increase the percentage of departments which achieve proposed annual target levels within existing budget.
4. Increase the percentage of elected official decisions and management decisions based on performance measurement data.
5. Increase the percentage of departments using a City standard business plan to increase alignment with City goals.
6. Increase percentage of people who live and work in Minneapolis that report satisfaction with City services.

Key Departmental Outcome Measures:

Outcome Measure	2000 Actual	2001 Actual	2002 Actual	2003 Estimated	2004 Projected
City of Minneapolis credit rating	AAA x 3	AAA x 2 Aa1 x 1	AAA x 2 Aa1 X 1	AAA x 2 Aa1 x 1	AAA x 2 Aa1 x 1
Existence of a long term, comprehensive tax policy	No	No	Mayor/Council adoption of comprehensive tax policy in July	Continued support of tax policy	Continued support of tax policy
% of general fund revenues from sources other than property tax	76.5%	74.4%	75.0%	70.0%	70.0%
% of departments & % of total general fund spending within original budget the previous year	75% departments	80% of departments	80% of departments	95% of departments	95% of departments
	100% of general fund spending	100% of general fund spending	100% of general fund spending	110% of general fund spending	100% of general fund spending
% of departments and elected officials who report using performance measures to inform decision making on a regular basis	N/A	N/A	N/A		
% of departments with an up-to-date business plan that is consistent with the citywide business planning model	N/A	N/A	2 pilots planned by end of 2002	1 complete all underway	All complete

Explanation of Performance Data for Departmental Outcome Measures:

All departments have gone through a process to identify their mission, primary businesses, service activities, and key performance measures, although much work and refinement needs to be done. Development of a business planning model and handbook has been completed and one pilot (Fire) was concluded in early 2003.

Primary Business:**Executive Finance****Service Activity:**

Provide strategic financial advice to City decision-makers and make certain enterprise-level decisions.

Description:

Key Performance Measures for the Service Activity:

Key Performance Measure	2000 Actual	2001 Actual	2002 Actual	2003 Estimated	2004 Projected
City of Minneapolis credit rating	AAA x 3	AAA x 2 Aa1 x 1	AAA x 2 Aa1 x 1	AAA x 2 Aa1 x 1	AAA x 2 Aa1 x 1

Explanation of key performance measures:

Service Activity:

Coordinate financial planning and budgeting.

Description:

This includes assisting the Mayor in developing a budget recommendation and the City Council in final budget adoption.

Key Performance Measures for the Service Activity:

Key Performance Measure	2000 Actual	2001 Actual	2002 Actual	2003 Estimated	2004 Projected
Obtain the Government Finance Officers (GFOA) Certificate of Achievement for Excellence in Budgeting.	Did not apply	Applied for, but did not receive award.	Award received	Achieve award recognition	Achieve award recognition

Explanation of key performance measures:

Other related performance measurement information that relates to financial planning and budget is included in the enterprise information at the beginning of this report for the Finance Department.

Service Activity:

Assist departments in the development of business plans and performance measures, which support citywide efforts and strengthen department management.

Description:

Key Performance Measures for the Service Activity:

Key Performance Measure	2000 Actual	2001 Actual	2002 Actual	2003 Estimated	2004 Projected
% of departments with an up-to-date business plan that is consistent with the citywide business planning model *	N/A	N/A	Fire & Parking Services	All depts have begun Business Planning. Fire Dept's has been approved.	All depts will have final business plans by 1st qtr.
% City employees that report an understanding of how they contribute to the City Goals.	N/A	N/A	N/A	Will be in discussions with HR to do an Employee engagement survey	Will be in discussions with HR to do an Employee engagement survey
Total \$ value of city contracts with consultants for business planning services.	N/A	N/A	N/A	\$250,000	Survey planned for 2004

Explanation of key performance measures:

Primary Business:

Accounting

Service Activity:

Provide financial planning and budgeting services.

Description:

This includes assisting city departments in developing a budget recommendation to the Mayor and the City Council in final budget adoption.

Key Performance Measures for the Service Activity:

Key Performance Measure	2000 Actual	2001 Actual	2002 Actual	2003 Estimated	2004 Projected
Fines and Forfeits	108.7%	110.2%	98.5%	100%	100%
Licenses and Permits	119.5%	111.5%	107.7%	100%	100%
	101.2%	100.4%	97.5%	100%	100%
% of Total General Fund revenue recognized (actual) compared to original budget projection:	106.5%	105.7%	102.4%	100%	100%

Explanation of key performance measures:

This measure compares actual revenue to original budget. The objective is to achieve actual revenues that are not less than original budget.

Service Activity:

Provide payroll processing services

Description:

The Finance Department provides payroll processing services for the City, the Library Board, the Park Board, and the MBC.

Key Performance Measures for the Service Activity:

Key Performance Measure	2000 Actual	2001 Actual	2002 Actual	2003 Estimated	2004 Projected
% of employees paid electronically	72.48%	73.37%	79.20% avg. year to date	85-88%	85-88%
% payroll payments issued without corrections	99.91%	99.98%	99.94% to date	99.99%	99.99%

Explanation of key performance measures:

The departments objective is to maximize the number of employees paid electronically (lowest cost) with the fewest corrections.

Service Activity:**Process transactions***Description:*

This includes paying bills, assisting departments with budget development, billing customers, and processing and auditing payroll.

Key Performance Measures for the Service Activity:

Key Performance Measure	2000 Actual	2001 Actual	2002 Actual	2003 Estimated	2004 Projected
% of all valid transactions authorized, approved and paid within 30 days of invoice receipt	No exceptions noted	No exceptions noted	No exceptions noted	100% compliance	100% compliance

Explanation of key performance measures:

The department seeks the lowest number of exceptions in payment of vendors and customers.

Service Activity:**Administer the financial database***Description:*

This includes performing general accounting and account reconciliations; establishing and maintaining accounting policies and procedures; administering FISCOL; and establishing and executing internal controls.

Key Performance Measures for the Service Activity:

Key Performance Measure	2000 Actual	2001 Actual	2002 Actual	2003 Estimated	2004 Projected
% of accounts identified on the close checklist	N/A	<30%	50%	50%	60%

Explanation of key performance measures:

Service Activity:

Analyze and interpret financial information

Description:

This includes performing reporting (monthly, quarterly, annual, prospective, ad hoc); extracting information from the corporate database; and performing financial trend analysis.

Key Performance Measures for the Service Activity:

Key Performance Measure	2000 Actual	2001 Actual	2002 Actual	2003 Estimated	2004 Projected
Receipt of an unqualified audit opinion	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
% monthly reports prepared prior to completion of the subsequent month	N/A	N/A	50%	N/A	100%
% quarterly reports available within 45 days of quarter end	N/A (enterprise reports performed)	N/A (proprietary special revenue reports performed)	100%	75%	100%
Date of submission of CAFR to GFOA (Goal -- June 30th)	June 30th	June 28th	June 26th	July 18	June 24th
Date of submission of OSA compliance report (Goal -- June 30th)	June 30	June 28	June 26	July 18	June 24th

Explanation of key performance measures:

Service Activity:

Create financial management solutions

Description:

This includes consulting department management on budget options; developing rate models for cost recovery; providing financial management support for grants and projects; advising department on key decisions; and using a variety of analytical tools to explain amount, timing and uncertainty of past and future cash flows related to policy and operational decisions.

Key Performance Measures for the Service Activity:

Key Performance Measure	2000 Actual	2001 Actual	2002 Actual	2003 Estimated	2004 Projected
Pro forma available for CLIC, Budget Book, and Rate-setting	All deadlines met	2 of 3 deadlines met	All deadlines met	All deadlines met	All deadlines met
Date of execution of approved indirect cost plan (Goal -- May 30th)	May 30th	May 30th	May 25th	May 23rd	May 23rd

Explanation of key performance measures:

Primary Business:

Procurement

Service Activity:

Procurement

Description:

The management of a competitive procurement of supplies, materials and services. This will be performed in conjunction with city departments and boards. The procurement process will be managed in accordance all applicable state laws and city requirements.

Key Performance Measures for the Service Activity:

Key Performance Measure	2000 Actual	2001 Actual	2002 Actual	2003 Estimated	2004 Projected
Percent of formal bids completed with Council Approval within an average of 30 days of initial solicitation.	100% -- avg. 24 days	100% -- avg. 24 days	100% Avg, 26 days	(Est) Less than 30 Days	(2004 proj) Less than 30 days
Number and dollar value of formal bids processed.	265 formal bids for \$113 million	228 formal bids for \$81 million	221 Formal Bids for \$57 Million	(Est) 240 formal bids for \$65 million	(2004 Proj) Estimated 240 formal bids for \$65 million

Explanation of key performance measures:

Service Activity:

Contract management

Description:

Provide contract management services in accordance with policies and procedures. This includes contract review, execution and FISCOL coordination.

Key Performance Measures for the Service Activity:

Key Performance Measure	2000 Actual	2001 Actual	2002 Actual	2003 Estimated	2004 Projected
Number of new contracts processed	987	1,139	1026	1,200	1,200
a)\$50M or les	286	331	281	350	350
b)over \$50					
% of time contracts turned around in 24 hours	N/A	N/A	95%	95%	95%
Number of individuals trained and percent expressing satisfaction.	122 100%	155 100%	210 100%	150 100%	150 100%

Explanation of key performance measures:

Primary Business:

Risk Management

Service Activity:

Work with departments on education and compliance in the area of loss prevention and claims administration.

Description:

This includes education and compliance with federal and state legislation, rules, post-health insurance claims and regulations regarding OSHA, workers' compensation, re-employment and tort claims.

Key Performance Measures for the Service Activity:

Key Performance Measure	2000 Actual	2001 Actual	2002 Actual	2003 Estimated	2004 Projected
WC paid wage substitution	\$2,325,560	\$2,482,845	\$4,415,741	\$2,431,000	2,600,000
WC paid medical benefits	\$2,318,683	\$2,236,678	\$2,372,234	\$2,270,000	2,300,000
Tort claims: # claims filed	694	863	768	770	825
Tort claims: \$ claims value	\$1,261,226	\$1,054,614	\$1,963,289	1,601,000	1,900,000
Tort claims: # claims paid	243	249	276	290	300
Tort claims \$ claims paid	\$417,617	\$364,721	\$386,554	\$411,000	\$425,000
# of post-health insurance committee review					
# of post-health insurance committee reviews	N/A	N/A	N/A	4	10

Explanation of key performance measures:

Quarterly Reports will be provided to each department to provide a baseline to target their self-audits, trainings, risk assessments and/or hazard analysis evaluations.

Service Activity:

Provide leadership on asset preservation (human & financial), including policies and practices to make behavioral changes throughout City Departments.

Description:

Develop an actuarial-based cost allocation formula to promote risk control. Develop a Loss Prevention rating scale to be added to City Department Annual Performance Evaluations.

Key Performance Measures for the Service Activity:

Key Performance Measure	2000 Actual	2001 Actual	2002 Actual	2003 Estimated	2004 Projected
% of Depts. completing annual self-audits that measure compliance with State & Federal regulations			25%		26%
# of trainings conducted on cost reduction & claims administration		155	150		150
% of Depts. implementing loss control strategies			40%		50%
% of Depts. with a Loss Prevention rating scale on Performance Evaluations			50%		100%

Explanation of key performance measures:

As a consulting function, this Division will assist Departments in developing tools to be used for their self-audits, identification of risk areas, and strategies to reduce human and financial losses.

Primary Business:

Treasury

Service Activity:

Ensure accurate and efficient cash management processes.

Description:

Accurately report, document and process all cash transactions for the City of Minneapolis and component units, while adhering to strong internal controls. Establish, process, receipt, and approve receivables with proper attention to delinquent accounts. Accurately monitor, receipt, and report special assessment payments in a timely manner. Continually increase utilization of e-commerce activities.

Key Performance Measures for the Service Activity:

Key Performance Measure	2000 Actual	2001 Actual	2002 Actual	2003 Estimated	2004 Projected
Accuracy percentage rate of Central Counting Facility vault balance.	99.9%	99.9%	99.9%	99.9%	99.9%
Percentage of revenues collected electronically.	N/A	N/A	72%	75%	77%
Percentage of disbursements paid electronically.	29%	34%	60%	65%	65%

Explanation of key performance measures:

The electronic receipt of revenues demonstrates that the funds are available for usage in a more efficient and cost effective manner. The electronic disbursements of funds provides the City with greater accuracy of cash balances and provides increased customer service.

Service Activity:

Effectively administer the City Utility Billing System

Description:

Administer water-metering services and perform billing, collection and customer service functions for the City's Water, Sewer and Solid Waste services.

Key Performance Measures for the Service Activity:

Key Performance Measure	2000 Actual	2001 Actual	2002 Actual	2003 Estimated	2004 Projected
% of meters read on a monthly basis (goal 95%)	N/A	N/A	N/A	98%	99%
% of accounts billed within 4 working days of meter reading (goal 100%)	N/A	N/A	N/A	45% - 4 day 30% 4-6 day 25% 6-10 day	45% - 4 day 30% 4-6 day 25% 6-10 day
% of revenue on active accounts collected within 90 days of billing.	N/A	N/A	N/A	97.6	97%
% of inactive accounts assessed to the property within 18 months of final billing (goal 98%)	N/A	N/A	N/A	56%	80
% of telephone calls responded to within 30 seconds.	N/A	N/A	N/A	68.5%	75%

Explanation of key performance measures:

Enhanced technology will increase accessibility for customers and reduce telephone inquiries.

Service Activity:

Invest all cash reserves on a daily basis for optimum yield, safety and liquidity.

Description:

Daily oversight of internal investment portfolio and external investment managers and ensuring proper investment selection and earnings are within the established policy. Maintain an enterprise cash forecast utilizing future-funding requirements that support the City's strategic objectives.

Key Performance Measures for the Service Activity:

Key Performance Measure	2000 Actual	2001 Actual	2002 Actual	2003 Estimated	2004 Projected
% short term internal (liquidity) investment portfolio that achieve yields in excess of 90-day Treasury bill annualized	N/A	N/A	100%	100%	100%
% of short term investments that are invested in securities other than money market funds.	N/A	N/A	21%	27%	25%
% of bank and trust reconciliations completed within 30 days of period end.	N/A	N/A	100%	100%	100%
% of accuracy of the annual cash forecast to actual.	N/A	N/A	90%	90%	90%

Explanation of key performance measures:

Financial Analysis:

EXPENDITURE

The Adopted Budget for the Finance Department increases the budget for the Department across all funds by 12%. In the general fund, the Department's budget increased by 29%. The main driver behind this increase is a shift of \$2.1 million from the Community Planning and Economic Development (CPED) Department. Without this change the Department would have experienced a decline in budget of 1%. The current service level for the Department includes a restoration of funding for 3 positions. As a result of the level of cuts that the department accomplished in 2003, positions could be added back in 2004 within the current service level funding level.

REVENUE

The Department's revenue estimate is \$4.9 million – this includes about \$4.4 million in charges related to the City's water service. The Department receives funding for approximately 3 positions from CDBG funds for administrative costs. The Department's revenue budget also includes \$2.1 million in revenue in the general fund related to the provision of development finance services to CPED.

FUND ALLOCATION

The finance Department has expenditures in 15 different City funds. The two largest funding sources for the Department are the general fund and the water fund.

LOCAL GOVERNMENT AID CUT IN 2003

The Department eliminated 19 positions as a result of the LGA reductions and reduced non-personnel expense by \$110,000.

ADOPTED BUDGET

The budget does not include any changes to Finance's budget.

FINANCE
Staffing Information

		2002	2003	2004	% Change	Change
	2001	Adopted Budget	Adopted Budget	Adopted Budget		
FTE's by Division						
Executive	6.00	2.00	2.00	10.00	400.00%	8.00
Treasury	61.00	61.00	61.00	59.00	-3.28%	(2.00)
Procurement	9.00	12.50	10.00	8.50	-15.00%	(1.50)
Management Analysis ¹	5.00	5.50	-	-	0.00%	-
Risk Management	11.00	10.00	10.00	9.50	-5.00%	(0.50)
Financial Management and Budget ²	110.00	112.00	25.00	-	-100.00%	(25.00)
Controller	NA	NA	92.00	97.00	5.43%	5.00
Development Finance				21.00		21.00
Total FTE's	202.00	203.00	200.00	205.00	2.50%	5.00

